

TITONKA
CONSOLIDATED SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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TITONKA CONSOLIDATED SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2006 Election)

Allison Anderson	President	2006
Gloria Bartelt	Vice President	2006
Daryl Chapin		2008
Leroy Hoffman		2008
Lori Miller		2007

(After September, 2006 Election)

Allison Anderson	President	2009
Gloria Bartelt	Vice President	2009
Daryl Chapin		2008
Leroy Hoffman		2008
Lori Miller		2007

School Officials

Ronald Sadler	Superintendent
Mary Beth Wubben	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Titonka Consolidated School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Titonka Consolidated School District, Titonka, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

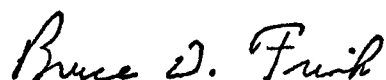
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Titonka Consolidated School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2008 on our consideration of Titonka Consolidated School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Titonka Consolidated School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 11, 2008

TITONKA CONSOLIDATED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Titonka Consolidated School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,756,184 in fiscal year 2006 to \$1,823,727 in fiscal year 2007, while General Fund expenditures increased from \$1,844,505 in fiscal year 2006 to \$1,859,649 in fiscal year 2007.
- The increase in General Fund revenues was primarily attributable to an increase in state appropriations. The increase in expenditures was approximately 4%. The General Fund balance decreased by 21% primarily due to 4% allowable growth being inadequate to fund current programs.
- An increase in interest rates during the past fiscal year resulted in an increase in interest earnings in the General Fund.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Titonka Consolidated School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Titonka Consolidated School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Titonka Consolidated School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Titonka Consolidated School District Annual Financial Report

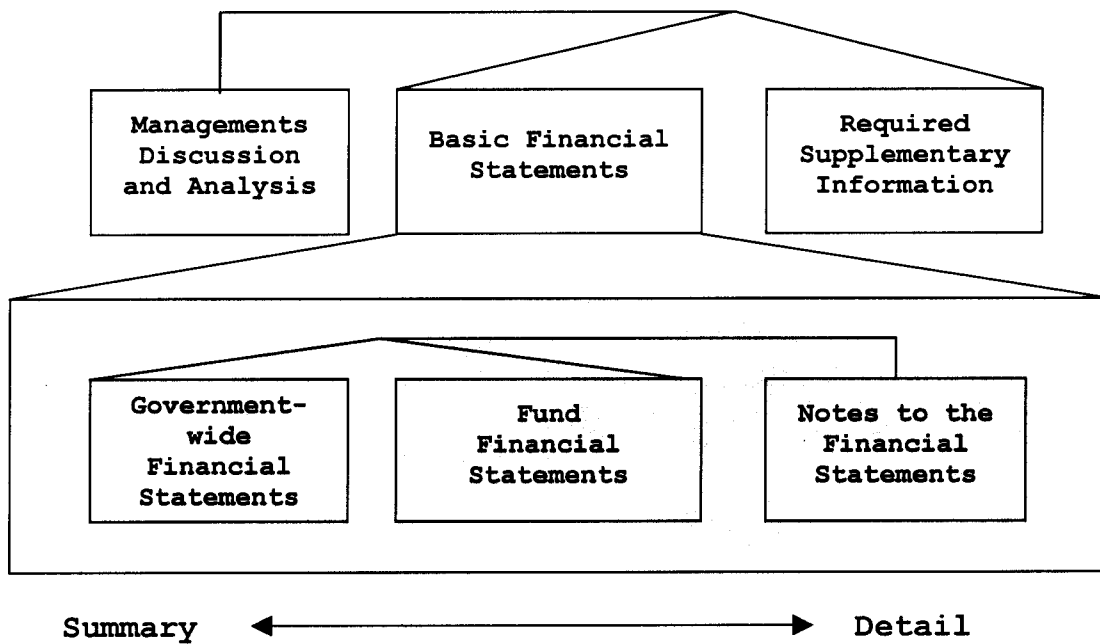


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> . Statement of Net Assets . Statement of Activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> . Statement of Net Assets . Statement of Revenues, Expenses and Changes in Net Assets . Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Funds, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	3,402	1,451	10	3	3,412	1,454	57.39%
Capital assets	<u>502</u>	<u>156</u>	<u>-</u>	<u>1</u>	<u>502</u>	<u>157</u>	<u>68.73%</u>
Total assets	<u>3,904</u>	<u>1,607</u>	<u>10</u>	<u>4</u>	<u>3,914</u>	<u>1,611</u>	<u>58.84%</u>
Current liabilities	1,074	819	-	-	1,074	819	23.74%
Non-current liabilities	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,100</u>	<u>-</u>	<u>0.00%</u>
Total liabilities	<u>3,174</u>	<u>819</u>	<u>-</u>	<u>-</u>	<u>3,174</u>	<u>819</u>	<u>74.20%</u>
Net Assets							
Invested in capital assets, net of related debt	329	156	-	1	329	157	52.28%
Restricted	234	435	-	-	234	435	-85.90%
Unrestricted	<u>167</u>	<u>197</u>	<u>10</u>	<u>3</u>	<u>177</u>	<u>200</u>	<u>-12.99%</u>
Total net assets	<u>730</u>	<u>788</u>	<u>10</u>	<u>4</u>	<u>740</u>	<u>792</u>	<u>-7.03%</u>

Combined net assets decreased by 7% over the prior year. The District spent almost \$400,000 on windows and preliminary building costs resulting in a 52% increase in capital assets, net of debt. Unrestricted assets decreased due to a decrease in the General Fund as funds were used to pay for expenditures committed in prior years such as Phase III and Early Intervention monies.

Changes in net assets - figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	112	77	38	34	150	111	35.14%
Operating grants, contributions and restricted interest	330	287	34	47	364	334	8.98%
General revenues:							
Property tax	786	756	-	-	786	756	3.97%
Income surtax	54	52	-	-	54	52	3.85%
Local option sales tax	126	126	-	-	126	126	0.00%
Unrestricted state grants	686	731	-	-	686	731	-6.16%
Unrestricted investment earnings	15	13	-	-	15	13	15.38%
Other	41	26	-	-	41	26	57.69%
Total revenues	<u>2,150</u>	<u>2,068</u>	<u>72</u>	<u>81</u>	<u>2,222</u>	<u>2,149</u>	<u>3.40%</u>
Program expenses:							
Governmental activities:							
Instruction	1,311	1,309	-	-	1,311	1,309	0.15%
Support Services	650	660	-	-	650	660	-1.52%
Non-instructional programs	8	13	76	78	84	91	-7.69%
Other expenses	239	128	-	-	239	128	86.72%
Total expenses	<u>2,208</u>	<u>2,110</u>	<u>76</u>	<u>78</u>	<u>2,284</u>	<u>2,188</u>	<u>4.39%</u>
Change in net assets	<u>(58)</u>	<u>(42)</u>	<u>(4)</u>	<u>3</u>	<u>(62)</u>	<u>(39)</u>	<u>58.97%</u>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,150,440 and expenses were \$2,208,264.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2007	2006	2006-07	2007	2006	2006-07
	\$	\$		\$	\$	
Instruction	1,311	1,309	0.15%	972	1,011	-3.86%
Support Services	650	660	-1.52%	641	660	-2.88%
Non-instructional programs	8	13	-38.46%	8	13	-38.46%
Other expenses	239	128	86.72%	145	62	133.87%
Totals	<u>2,208</u>	<u>2,110</u>	<u>4.64%</u>	<u>1,766</u>	<u>1,746</u>	<u>1.15%</u>

- The cost financed by users of the District's programs was \$112,448.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$200,946.
- The net cost of governmental activities was financed with \$786,321 in property tax, \$685,545 in state foundation aid, and \$14,728 in interest income.

Business-Type Activities

Revenues of the District's business type activities were \$72,089 and expenses were \$76,489. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted Titonka Consolidated School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$729,927, a seven percent decrease under last year's ending fund balances of \$787,751. Depreciation expenses totaled over \$51,000.

Governmental Fund Highlights

- The District's General Fund balance decreased due to inadequate allowable growth. Expenses increased less than 1% due to monitoring of discretionary spending.
- The District continues to collect the school Infrastructure Local Option Sales Tax. The money is being accumulated for future infrastructure projects.
- Activity Fund revenue and expenses decreased as fiscal year 2006 included a large trip to Washington DC.
- The District issued \$2,100,000 in general obligation bonds for the construction of an addition to the existing building. This will be located where the original facility was razed.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased due primarily to revenue decreases.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's receipts were over \$61,000 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in state and federal funding than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested over \$500,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$53,051.

The original cost of the District's capital assets was \$1,885,687. Governmental funds account for \$1,816,775, with the remainder of \$68,912 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Land	2	2	-	-	2	2	0.00%
Buildings	231	32	-	-	231	32	621.88%
Improvements other than buildings	24	11	-	-	24	11	118.18%
Construction in progress	173	-	-	-	173	-	100.00%
Furniture and equipment	72	111	-	1	72	112	-35.71%
Totals	502	156	-	1	502	157	219.75%

Long-Term Debt

The District issued \$2.1 million of general obligation bonds in May 2007. The bonds will be repaid over the next 20 years with proceeds of a voter approved property tax levy.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment the past several years. This trend has caused the District to tap into existing reserves.
- The voters of the District approved a bond issue for the construction of a new middle school to replace the existing 1918 building.
- The District is looking for ways to expand sharing opportunities in order to improve educational programs as well as save money.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Beth Wubben, District Secretary/Treasurer, Titonka Consolidated School District, 543 Dieckman St, PO Box 287, Titonka, IA 50480-0287.

Basic Financial Statements

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	2,274,156	6,731	2,280,887
Receivables:			
Property tax:			
Current year	17,584	-	17,584
Succeeding year	987,884	-	987,884
Income surtax	49,972	-	49,972
Receivables:			
Due from other governments	62,139	-	62,139
Other receivables	9,999	-	9,999
Inventories	-	3,152	3,152
Capital assets, net of accumulated depreciation (note 3)	501,971	-	501,971
Total assets	3,903,705	9,883	3,913,588
Liabilities			
Accounts payable	71,540	9,563	81,103
Accrued interest payable	14,354	-	14,354
Deferred revenue:			
Succeeding year property tax	987,884	-	987,884
Federal programs	-	189	189
Long term liabilities:			
Portion due within one year:			
General obligation bonds	65,000	-	65,000
Portion due after one year:			
General obligation bonds	2,035,000	-	2,035,000
Total liabilities	3,173,778	9,752	3,183,530
Net Assets			
Invested in capital assets, net of related debt	328,766	-	328,766
Restricted for:			
Physical plant and equipment levy	177,729	-	177,729
Capital projects	56,329	-	56,329
Public education and recreation levy	-	-	-
Unrestricted	167,103	131	167,234
Total net assets	729,927	131	730,058

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Charges for Service		Operating Grants, Contributions and Restricted Interest	Governmental Activities		Business Type Activities
	Expenses	\$		\$	\$	Total
Functions/Programs						
Governmental activities:						
Instruction:	1,310,865	112,448	226,921	(971,496)	-	(971,496)
Support services:						
Student services	14,134	-	-	(14,134)	-	(14,134)
Instructional staff services	33,380	-	-	(33,380)	-	(33,380)
Administration services	315,629	-	-	(315,629)	-	(315,629)
Operation and maintenance of plant services	220,969	-	8,883	(212,086)	-	(212,086)
Transportation services	65,766	-	-	(65,766)	-	(65,766)
	649,878	-	8,883	(640,995)	-	(640,995)
Non-instructional programs	8,388	-	-	(8,388)	-	(8,388)
Other expenditures:						
Facilities acquisition and construction	104,593	-	25,583	(79,010)	-	(79,010)
Interest on long term debt	14,354	-	-	(14,354)	-	(14,354)
AEA flowthrough	68,493	-	68,493	-	-	-
Depreciation (unallocated)*	51,693	-	-	(51,693)	-	(51,693)
	239,133	-	94,076	(145,057)	-	(145,057)
Total governmental activities	2,208,264	112,448	329,880	(1,765,936)	-	(1,765,936)

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				
\$	\$	\$	\$	\$
Business type activities:				
Non-instructional programs	76,489	34,357	-	(4,400)
Total	<u>2,284,753</u>	<u>364,237</u>	<u>(1,765,936)</u>	<u>(1,770,336)</u>
General revenues:				
Property tax levied for:				
General purposes			651,526	-
Management Fund			65,507	-
Capital outlay			61,083	-
Public Education and Recreation Levy			8,205	-
Income surtax			54,063	-
School Infrastructure Local Option Sales Tax			126,546	-
Unrestricted state grants			685,545	-
Unrestricted investment earnings			14,728	-
Other			<u>40,909</u>	<u>-</u>
Total general revenue			<u>1,708,112</u>	<u>-</u>
Change in net assets			(57,824)	(4,400)
Net assets beginning of year			<u>787,751</u>	<u>4,531</u>
Net assets end of year			<u>729,927</u>	<u>131</u>
			<u>730,058</u>	<u>730,058</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	124,451	176,179	1,959,664	-	13,270	2,273,564
Receivables:						
Property tax:						
Current year	14,202	1,550	-	-	1,832	17,584
Succeeding year	702,507	40,598	-	151,626	93,153	987,884
Income surtax	49,972	-	-	-	-	49,972
Interfund receivable	8,483	-	-	-	-	8,483
Due from other governments	38,679	-	23,460	-	-	62,139
Other receivables	9,999	-	-	-	-	9,999
Total assets	<u>948,293</u>	<u>218,327</u>	<u>1,983,124</u>	<u>151,626</u>	<u>108,255</u>	<u>3,409,625</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	61,749	-	-	-	9,791	71,540
Interfund payable	-	-	-	-	7,483	7,483
Deferred revenue:						
Succeeding year property tax	702,507	40,598	-	151,626	93,153	987,884
Succeeding year income surtax	49,972	-	-	-	-	49,972
Total liabilities	<u>814,228</u>	<u>40,598</u>	<u>-</u>	<u>151,626</u>	<u>110,427</u>	<u>1,116,879</u>
Fund balances:						
Reserved for:						
Capital projects	-	-	1,983,124	-	-	1,983,124
Unreserved	134,065	177,729	-	-	(2,172)	309,622
Total fund balances	<u>134,065</u>	<u>177,729</u>	<u>1,983,124</u>	<u>-</u>	<u>(2,172)</u>	<u>2,292,746</u>
Total liabilities and fund balance	<u>948,293</u>	<u>218,327</u>	<u>1,983,124</u>	<u>151,626</u>	<u>108,255</u>	<u>3,409,625</u>

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)	\$ 2,292,746
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	49,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	501,971
An internal service fund is used by the District's management to charge the costs of the flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with the governmental activities.	(408)
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(14,354)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.	<u>(2,100,000)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 729,927</u>

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	700,658	61,083	126,546	73,712	961,999
Tuition	112,448	-	-	-	112,448
Other	55,637	8,883	19,319	25,975	109,814
State sources	887,745	-	-	-	887,745
Federal sources	67,239	-	-	-	67,239
Total revenues	1,823,727	69,966	145,865	99,687	2,139,245
Expenditures:					
Instruction	1,285,380	-	-	23,690	1,309,070
Support services:					
Student services	14,134	-	-	-	14,134
Instructional staff services	33,380	-	-	-	33,380
Administration services	219,014	93,920	-	2,695	315,629
Operation and maintenance of plant services	173,482	-	-	47,487	220,969
Transportation services	65,766	-	-	-	65,766
	505,776	93,920	-	50,182	649,878
Non-instructional programs	-	-	-	8,388	8,388

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Other expenditures:					
Facilities acquisition and construction	-	-	502,255	-	502,255
AEA flowthrough	68,493	-	-	-	68,493
	68,493	-	502,255	-	570,748
Total expenditures	1,859,649	93,920	502,255	82,260	2,538,084
Excess (deficiency) of revenues over (under) expenditures	(35,922)	(23,954)	(356,390)	17,427	(398,839)
Other financing sources (uses):					
Proceeds of general obligation bonds	-	-	2,100,000	-	2,100,000
Premium on issuance of bonds	-	-	6,264	-	6,264
	-	-	2,106,264	-	2,106,264
Net change in fund balance	(35,922)	(23,954)	1,749,874	17,427	1,707,425
Fund balances beginning of year	169,987	201,683	233,250	(19,599)	585,321
Fund balances end of year	134,065	177,729	1,983,124	(2,172)	2,292,746

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ 1,707,425

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtaxes not collected until more than 60 days after the District's fiscal year ends are not considered "available" in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

4,931

An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue(expense) of the internal service fund is reported with governmental activities.

(1,795)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 397,662	
Depreciation expense	<u>(51,693)</u>	345,969

Issuance of long-term debt principal is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

(2,100,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(14,354)

Change in net assets of governmental activities (Exhibit B)

\$ (57,824)

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
	\$	\$
Assets		
Cash and pooled investments	6,731	592
Inventories	3,152	-
Capital assets, net of accumulated depreciation	-	-
Total assets	<u>9,883</u>	<u>592</u>
Liabilities		
Accounts payable	9,563	-
Deferred revenues		
Federal programs	189	-
Interfund payable	-	1,000
	<u>9,752</u>	<u>1,000</u>
Net assets		
Unrestricted	<u>131</u>	<u>(408)</u>
Total net assets	<u>131</u>	<u>(408)</u>

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2007

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for services	<u>37,732</u>	<u>9,110</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	30,542	-
Benefits	11,256	10,905
Services	432	-
Supplies	32,901	-
Depreciation	<u>1,358</u>	<u>-</u>
Total operating expenses	<u>76,489</u>	<u>10,905</u>
Operating income (loss)	<u>(38,757)</u>	<u>(1,795)</u>
Non-operating revenues:		
Local sources	19	-
State sources	856	-
Federal sources	<u>33,482</u>	<u>-</u>
	<u>34,357</u>	<u>-</u>
Change in net assets	(4,400)	(1,795)
Net assets beginning of year	<u>4,531</u>	<u>1,387</u>
Net assets end of year	<u><u>131</u></u>	<u><u>(408)</u></u>

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of services	37,921	9,110
Cash payments to employees for services	(32,235)	(11,100)
Cash payments to suppliers for goods or services	(28,529)	-
Net cash provided by (used in) operating activities	(22,843)	(1,990)
Cash flows from non-capital financing activities:		
State grants received	856	-
Federal grants received	28,581	-
Net cash provided by non-capital financing activities	29,437	-
Cash flows from capital financing activities:		
Acquisition of fixed assets	-	-
Transfer from General Fund	-	1,000
	-	1,000
Cash flows from investing activities:		
Interest on investments	19	-
Net increase (decrease) in cash and cash equivalents	6,613	(990)
Cash and cash equivalents beginning of year	118	1,582
Cash and cash equivalents end of year	6,731	592
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	(38,757)	(1,795)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,358	-
Commodities used	4,901	-
(Increase) in inventory	(97)	-
Increase (decrease) in accounts payable	9,563	(195)
Increase in deferred revenue	189	-
	(22,843)	(1,990)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:		
Current assets:		
Cash	6,731	592
Non-cash investing, capital and financing activities:		

During the year ended June 30, 2007, the District received federal commodities valued at \$4,901.

See notes to financial statements.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Titonka Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District is involved in a two-way sharing agreement with the Woden-Crystal Lake Community School District. The geographic area served includes the City of Titonka, Iowa, and agricultural area in Kossuth, Winnebago and Hancock Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Titonka Consolidated School District has included all funds, organizations, agencies, boards, commissions and authorities.

The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Titonka Consolidated School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund is used to account for funds raised by the one-cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Internal Service and School Nutrition Fund. These funds are used to account for the food service operations of the District as well as the District's flex spending plan.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>2,210</u>	<u>-</u>	<u>-</u>	<u>2,210</u>
Capital assets being depreciated:				
Buildings	456,877	205,957	-	662,834
Improvements other than buildings	164,744	18,500	-	183,244
Furniture and Equipment	797,492	-	-	797,492
Construction in progress	<u>-</u>	<u>173,205</u>	<u>-</u>	<u>173,205</u>
Total capital assets being depreciated	<u>1,419,113</u>	<u>397,662</u>	<u>-</u>	<u>1,816,775</u>
Less accumulated depreciation for:				
Buildings	425,330	6,402	-	431,732
Improvements other than buildings	154,111	5,593	-	159,704
Furniture and Equipment	<u>685,880</u>	<u>39,698</u>	<u>-</u>	<u>725,578</u>
Total accumulated depreciation	<u>1,265,321</u>	<u>51,693</u>	<u>-</u>	<u>1,317,014</u>
Total capital assets being depreciated, net	<u>153,792</u>	<u>345,969</u>	<u>-</u>	<u>499,761</u>
Governmental activities, capital assets, net	<u>156,002</u>	<u>345,969</u>	<u>-</u>	<u>501,971</u>
Business type activities:				
Furniture and equipment	68,912	-	-	68,912
Less accumulated depreciation	<u>67,554</u>	<u>1,358</u>	<u>-</u>	<u>68,912</u>
Business type activities capital assets, net	<u>1,358</u>	<u>(1,358)</u>	<u>-</u>	<u>-</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>51,693</u>
Business Type activities:				
Food service operations				<u>1,358</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll, for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$57,958, \$59,959, and \$57,949 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$68,493 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

Titonka Consolidated School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds Management	\$7,483
General Fund	Internal Service Fund	\$1,000

The interfund loan receivable/payable was the result of deficit cash balance in a joint bank account.

(8) Commitments

The voters of the District approved a bond issue to be used for the demolition of part of the existing facility and construction of a new facility. General obligation bonds totaling \$2,100,000 were issued in May, 2007.

(9) Financial Condition

The District's Management Fund had a deficit fund balance of \$5,851 at June 30, 2007. The Internal Service Fund had a deficit fund balance of \$408 at June 30, 2007.

(10) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$ -
Additions	2,100,000
Reductions	<u>-</u>
Balance end of year	<u>\$2,100,000</u>

General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u> %	<u>Interest</u> \$	<u>Principal</u> \$	<u>Total</u> \$
2008	4.00	86,125	65,000	151,125
2009	4.00	83,525	70,000	153,525
2010	4.00	80,725	70,000	150,725
2011	4.00	77,925	75,000	152,925
2012	4.00	74,925	80,000	154,925
2013	4.00	71,725	85,000	156,725
2014	4.00	68,325	90,000	158,325
2015	4.00	64,725	90,000	154,725
2016	4.00	61,125	95,000	156,125
2017	4.00	57,325	100,000	157,325
2018	4.00	53,325	105,000	158,325
2019	4.00	49,125	110,000	159,125
2020	4.05	44,725	115,000	159,725
2021	4.10	40,068	120,000	160,068
2022	4.125	35,148	125,000	160,148
2023	4.15	29,992	130,000	159,992
2024	4.20	24,598	135,000	159,598
2025	4.25	18,928	140,000	158,928
2026	4.30	12,978	145,000	157,978
2027	4.35	6,742	155,000	161,742
Total		<u>1,042,079</u>	<u>2,100,000</u>	<u>3,142,079</u>

(11) Contingency

The District is currently involved in a legal matter involving an employee and a student. District legal counsel has advised us that no probable outcome can be determined, however, existing insurance is believed to be adequate to cover any adverse verdict. As there is no anticipated liability on the part of the District, no provision for liability has been included in these financial statements.

Required Supplementary Information

TITONKA CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Types	Total Actual	Budgeted Amounts	Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final
	\$	\$	\$	\$	\$
Revenues:					
Local sources	1,184,261	37,751	1,222,012	1,209,831	12,181
State sources	887,745	856	888,601	922,750	(34,149)
Federal sources	67,239	33,482	100,721	140,000	(39,279)
Total revenues	<u>2,139,245</u>	<u>72,089</u>	<u>2,211,334</u>	<u>2,272,581</u>	<u>(61,247)</u>
Expenditures:					
Instruction	1,309,070	-	1,309,070	1,529,919	220,849
Support services	649,878	-	649,878	672,623	22,745
Non-instructional programs	8,388	76,489	84,877	109,822	24,945
Other expenditures	570,748	-	570,748	656,994	86,246
Total expenditures	<u>2,538,084</u>	<u>76,489</u>	<u>2,614,573</u>	<u>2,969,358</u>	<u>354,785</u>
Excess (deficiency) of revenues over (under) expenditures	(398,839)	(4,400)	(403,239)	(696,777)	293,538
Other financing sources (uses)	<u>2,106,264</u>	<u>-</u>	<u>2,106,264</u>	<u>-</u>	<u>2,106,264</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,707,425	(4,400)	1,703,025	(696,777)	2,399,802
Balance beginning of year	<u>585,321</u>	<u>4,531</u>	<u>589,852</u>	<u>586,344</u>	<u>3,508</u>
Balance end of year	<u>2,292,746</u>	<u>131</u>	<u>2,292,877</u>	<u>(110,433)</u>	<u>2,403,310</u>

See accompanying independent auditor's report.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

TITONKA CONSOLIDATED SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2007

	Management	Student Activity	Public Education and Recreation Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	-	5,081	8,189	13,270
Property tax receivable:				
Current year	1,632	-	200	1,832
Succeeding year	85,000	-	8,153	93,153
Total assets	<u>86,632</u>	<u>5,081</u>	<u>16,542</u>	<u>108,255</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	-	1,402	8,389	9,791
Interfund payable	7,483	-	-	7,483
Deferred revenue:				
Succeeding year property tax	85,000	-	8,153	93,153
	<u>92,483</u>	<u>1,402</u>	<u>16,542</u>	<u>110,427</u>
Fund balance:				
Unreserved fund balance	(5,851)	3,679	-	(2,172)
	<u>(5,851)</u>	<u>3,679</u>	<u>-</u>	<u>(2,172)</u>
Total liabilities and fund balance	<u>86,632</u>	<u>5,081</u>	<u>16,542</u>	<u>108,255</u>

See accompanying independent auditor's report.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Public Education and Recreation Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	65,507	-	8,205	73,712
Other	-	25,975	-	25,975
Total revenues	<u>65,507</u>	<u>25,975</u>	<u>8,205</u>	<u>99,687</u>
Expenditures:				
Instruction:				
Co-curricular instruction	-	23,690	-	23,690
Support services:				
Administration services	2,695	-	-	2,695
Plant operation and maintenance	47,487	-	-	47,487
Noninstructional programs	-	-	8,388	8,388
Total expenditures	<u>50,182</u>	<u>23,690</u>	<u>8,388</u>	<u>82,260</u>
Excess (deficiency) of revenues over (under) expenditures	15,325	2,285	(183)	17,427
Fund balances beginning of year	<u>(21,176)</u>	<u>1,394</u>	<u>183</u>	<u>(19,599)</u>
Fund balances end of year	<u><u>(5,851)</u></u>	<u><u>3,679</u></u>	<u><u>-</u></u>	<u><u>(2,172)</u></u>

See accompanying independent auditor's report.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Elem/MS activities	80	-	80	-
Musical and play	112	568	507	173
Pride club	64	668	668	64
Jazz band	329	-	50	279
Co-ed athletics	(25)	13,595	12,465	1,105
Annual	(288)	2,503	1,484	731
Washington DC trip	96	7,719	7,702	113
Class of 2010	309	343	165	487
Class of 2011	282	336	254	364
Class of 2012	69	210	135	144
National Honor Society	185	-	-	185
Interest	50	33	83	-
Student council	34	-	-	34
Cheerleading	97	-	97	-
Totals	<u>1,394</u>	<u>25,975</u>	<u>23,690</u>	<u>3,679</u>

See accompanying independent auditor's report.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

	Years ended June 30,			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	961,999	934,105	898,355	838,394
Tuition	112,448	77,236	86,438	86,531
Other	109,814	116,408	86,501	90,341
Intermediate sources	-	-	-	2,500
State sources	887,745	838,503	924,158	784,946
Federal sources	67,239	99,234	108,863	75,465
	<u>2,139,245</u>	<u>2,065,486</u>	<u>2,104,315</u>	<u>1,878,177</u>
Expenditures:				
Instruction	1,309,070	1,309,201	1,281,916	1,255,007
Support services:				
Student services	14,134	33,714	16,655	15,145
Instructional staff services	33,380	70,122	66,735	61,316
Administration services	315,629	227,945	227,334	246,392
Operation and maintenance of plant services	220,969	264,006	210,603	184,663
Transportation services	65,766	79,367	66,937	75,820
Noninstructional programs	8,388	13,175	7,731	9,233
Other expenditures:				
Facilities acquisition	502,255	-	42,954	-
AEA flowthrough	68,493	66,244	66,884	65,032
	<u>2,538,084</u>	<u>2,063,774</u>	<u>1,987,749</u>	<u>1,912,608</u>

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Titonka Consolidated School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Titonka Consolidated School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Titonka Consolidated School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Titonka Consolidated School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Titonka Consolidated School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Titonka Consolidated School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Titonka Consolidated School District's financial statements that is more than inconsequential will not be prevented or detected by Titonka Consolidated School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Titonka Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A is a material weakness.

Compliance and Other Matters

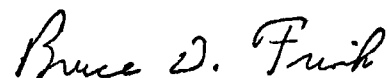
As part of obtaining reasonable assurance about whether Titonka Consolidated School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Titonka Consolidated School District's response to findings identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Titonka Consolidated School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Titonka Consolidated School District and other parties to whom Titonka Consolidated School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Titonka Consolidated School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 11, 2008

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize that with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

07-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-II-B Certified Budget - Disbursements for the year ended June 30, 2007, did not exceed the certified budget amounts in any of the four functions.

07-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

TITONKA CONSOLIDATED SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

(continued):

- 07-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 07-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-II-G Board Minutes - We noted no items requiring Board approval which had not been approved by the Board.
- 07-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 07-II-J Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 07-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 07-II-K Deficit Balance - The District has a deficit fund balance in the Management Fund of \$5,851 at June 30, 2007. The Internal Service Fund had a deficit fund balance of \$408 at June 30, 2007.
- Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.
- Response - The deficit will be covered by property tax revenues during the next year.
- Conclusion - Response accepted.